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California Geologic Energy Management Division
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STATE OF CALIFORNIA
NATURAL RESOURCES AGENCY
DEPARTMENT OF CONSERVATION
CALIFORNIA GEOLOGIC ENERGY MANAGEMENT DIVISION

**ORDER TO PLUG AND ABANDON WELLS,
DECOMMISSION ATTENDANT FACILITIES,
AND RESTORE WELL SITE, NO. 1174**

Operator: AllenCo Energy, Inc. (A1240)

Field: Las Cienegas

Wells:

"St. James" 1	(037-20383)	"St. James" 11	(037-05177);
"St. James" 2	(037-20356)	"St. James" 12	(037-20511);
"St. James" 3	(037-06333)	"St. James" 13	(037-20372);
"St. James" 4	(037-20439)	"St. James" 14	(037-20609);
"St. James" 5	(037-20475)	"St. James" 15-1	(037-20194);
"St. James" 6	(037-20275)	"St. James" 16	(037-20203);
"St. James" 7	(037-20476)	"St. James" 17	(037-20191);
"St. James" 8	(037-20564)	"St. James" 18	(037-20308);
"St. James" 9	(037-20502)	"St. James" 19	(037-20165);
"St. James" 10	(037-20455)	"St. James" 20	(037-20125);
		"St. James" 21	(037-20628)

1 I. Introduction

2 The State Oil and Gas Supervisor (Supervisor), acting through the California Geologic
3 Energy Management Division (CalGEM) and under the authority of Division 3 of the Public
4 Resources Code (PRC; commencing with PRC section 3000) and title 14 of the California Code
5 of Regulations (Regulations), is generally required to supervise the drilling, operation,
6 maintenance, and abandonment of wells and the operation, maintenance, and removal or
7 abandonment of tank and facilities attendant to oil and gas production so as to prevent, as
8 far as possible damage to life, health, property and natural resources. (PRC, § 3106). The
9 Supervisor may order the plugging and abandonment of a well or the decommissioning of a
10 production facility that has been deserted, whether any damage is occurring, or threatened,
11 by reason of that deserted well. (PRC, § 3237, subd. (a)). Failure to file, for any well, the fee
12 required for idle wells shall be conclusive evidence of desertion, permitting the supervisor to
13 order the well abandoned pursuant to Section 3237. (PRC, §3206, subd. (c)). Credible
14 evidence of desertion includes the extent of compliance by the operator with the
15 requirements of the PRC, and other actions of the operator regarding the well or production
16 facility. (PRC, §3237, subd. (a)(2)). A rebuttable presumption of desertion arises when the
17 operator has failed to comply with an order of the Supervisor within the time provided by the
18 order or has failed to challenge the order on a timely basis. (PRC, § 3237, subd. (a)(3)(C)).

19 At all times relevant to this Order, AllenCo Energy, Inc. has been identified as the
20 "operator" (Operator), as defined in PRC section 3009, of "well(s)" as defined in PRC section
21 3008, subdivision (a), and is conducting "operations" as defined in Regulations section 1720,
22 subdivision (f). The wells operated by AllenCo Energy, Inc. are listed above on page 1.
23 AllenCo Energy, Inc. operates the Saint James Drill site, which is an enclosed production
24 facility in the middle of a Los Angeles urban area. The site is adjacent to Mount. St. Mary's
25 college, homes, churches, businesses, and a school for special-needs children. [Attachment
26 A – Decision and Order, hereby incorporated by reference] For the reasons described in this
27 Order, the Supervisor has determined that AllenCo Energy, Inc. has deserted the well(s) and
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1 facilities based on conclusive and credible evidence of desertion, as well as, a rebuttable
2 presumption of desertion.

3 Therefore, pursuant to PRC sections 3208, 3228, 3229, 3230, and 3237, Regulations
4 sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760, 1775, and 1776 and the
5 conditions included in any permit CalGEM may issue pursuant to PRC section 3229, the
6 Supervisor hereby orders AllenCo Energy, Inc. to plug and abandon the above referenced
7 well(s), decommission the facilities, and restore the well site.

8 **II. Definitions**

9 **PRC section 3008, subdivision (a)**, defines "Well" to mean, among other things, "any oil
10 or gas well or well for the discovery of oil or gas; any well on lands producing or reasonably
11 presumed to contain oil or gas," and "any well drilled for the purpose of injecting fluids or gas
12 for stimulating oil or gas recovery[.]"

13 **PRC section 3009** defines "Operator" to mean "a person who, by virtue of ownership,
14 or under the authority of a lease or any other agreement, has the right to drill, operate,
15 maintain, or control a well or production facility."

16 **PRC section 3010** defines production facility to mean "any equipment attendant to oil
17 and gas production or injection operations[.]"

18 **Regulations section 1720, subdivision (f)**, defines "Operations" to mean "any one or all
19 of the activities of an operator covered by Division 3 of the Public Resources Code."

20 **Regulations section 1760, subdivision (k)**, defines "Production facility" to mean "any
21 equipment attendant to oil and gas production...including, but not limited to, tanks, flowlines,
22 headers, gathering lines, wellheads, heater treaters, pumps, valves, compressors, injection
23 equipment, production safety systems, separators, manifolds, and pipelines that are not under
24 the jurisdiction of the State Fire Marshal pursuant to Section 51010 of the Government Code,
25 excluding fire suppressant equipment."

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PRC section 3106, subdivision (a), authorizes the Supervisor to “supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities attendant to oil and gas production ... so as to prevent, as far as possible, damage to life, health, property, and natural resources; damage to underground oil and gas deposits from infiltrating water and other causes; losses of oil, gas, or reservoir energy, and damage to underground and surface waters suitable for irrigation or domestic purposes by the infiltration of, or the addition of, detrimental substances.”

PRC section 3270 requires CalGEM, by regulation, to prescribe minimum facility maintenance standards for all production facilities in the state. The regulations shall include “other facility or equipment maintenance that the supervisor deems important for the proper operation of production facilities and that the supervisor determines are necessary to prevent damage to life, health, property, and natural resources[.]”

PRC section 3226 states: "[I]f the supervisor determines that an emergency exists, the supervisor may order or undertake the actions he or she deems necessary to protect life, health, property, or natural resources." PRC section 3226 also allows the Supervisor, based the Supervisor's final or affirmed order, to appoint agents to enter the premises and perform necessary remedial work if the operator did not complete the remedial work as ordered. Any

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amount the Supervisor expends to complete the necessary remedial work constitutes a lien against the operator's real or personal property according to PRC section 3423.

PRC section 3237, subdivision (a)(1), authorizes the Supervisor to "order the plugging and abandonment of a well...that has been deserted whether or not any damage is occurring or threatened by reason of that deserted well." The Supervisor or district deputy "shall determine from credible evidence whether a well...is deserted."

PRC section 3237, subdivision (a)(2), states that "credible evidence" includes, but is not limited to, the operational history of the well or production facility, the response or lack of response of the operator to inquiries and requests from the Supervisor or district deputy, the extent of compliance by the operator with the requirements of this chapter, and other actions of the operator with regard to the well or production facility.

PRC section 3237, subdivision (a)(3), states that a rebuttable presumption of desertion arises in any of the following situations: (C) If an operator has failed to comply with an order of the Supervisor within the time provided by the order or has failed to challenge the order on a timely basis[.]

Regulations section 1777, subdivision (a), requires, among other things, that Operators maintain production facilities in good condition and in a manner to prevent leakage or corrosion and to safeguard life, health, property, and natural resources.

Regulations section 1779 authorizes the Supervisor in individual cases to set forth other requirements where justified or called for.

IV. Alleged Acts/Omissions

AllenCo Energy, Inc. operates the Saint James Drill site, which is an enclosed production facility in the middle of a Los Angeles urban area. The site is adjacent to Mount. St. Mary's college, homes, churches, businesses, and a school for special-needs children. [Attachment A – Decision and Order, hereby incorporated by reference] Most recent Notices of Violations were issued to AllenCo Energy, Inc. on the following dates: October 15, 2019 [Attachment B – Notice of Violation dated October 15, 2019, hereby incorporated by reference], October 24, 2019 [Attachment C – Notice of Violation dated October 24, 2019, hereby incorporated by

reference], November 21, 2019 [Attachment D – Notice of Violation dated November 21, 2019, hereby incorporated by reference], December 13, 2019 [Attachment E – Notice of Violation dated December 13, 2019, hereby incorporated by reference]. The Supervisor has previously found that numerous gas leaks in September and October 2019 pose a safety hazard. [Attachment A – Decision and Order 12:21-23] Multiple gas leaks at multiple locations suggest deteriorating equipment. [Attachment A – 14:3-4] Gas leaks can pose a risk of explosion and fire, since the escaping gasses are flammable. [Attachment A – 17:5-6] Furthermore, gas releases under high pressure pose an ignition hazard. [Attachment A – 17:6-7] The hazards and risks at the facility pose not only a danger to the facility itself, but also the local community. [Attachment A – 16:25-28]

Remedial Order No. 1162 was issued to AllenCo Energy, Inc. to submit a workplan to perform well kill operations on September 26, 2019, and that order became final on January 21, 2020. [Attachment F – Remedial Order No. 1162 hereby incorporated by reference] Killing a well means to place and fill a fluid column inside the well so that the pressure downward from the well head toward the formation equals the pressure coming up from the well. [Attachment A – 18:10-12]. The net effect of this is to equalize the pressure resulting in net zero pressure at the well head. [Attachment A – 18:12-13] Killing a well and bringing surface pressure to zero will prevent gas leaks – gas only escapes if there is pressure, and if there is no pressure at the surface [no] gas leaks will be coming out of the equipment. [Attachment A – 18:15-17] The deteriorating condition of the wells as evidenced by multiple gas leaks at the St. James facility at pressures significantly below designed working pressures, along with sustained wellhead pressures indicates an immediate need to initiate well killing operations as contended in the Remedial Order. AllenCo Energy, Inc., by failing to comply with remedial order No. 1162 to initiate well killing operations necessary to reduce leaks by removing the pressure of gas at the surface is not addressing the risk associated with sustained wellhead pressure on deteriorating infrastructure at the facility thereby creating a potential threat to life, health, safety and/or natural resources.

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1 **V. Conclusive Evidence of Desertion**

2 CalGEM staff notified the Operator of Operator's idle well fee obligations, by U.S. mail
3 on April 5, 2019 (Attachment H – incorporated herein). Operator has not paid the annual fees
4 required for the Well(s) under PRC section 3206 (Attachment G – Declaration of Lauren
5 Beaudin) and has an outstanding balance of approximately \$13,800 (Thirteen Thousand Eight
6 Hundred Dollars) in idle well fees. Operator's failure to pay the required idle well fees for the
7 Well(s) is conclusive evidence of desertion. (PRC, § 3206, subd. (c).)

8 **VI. Credible Evidence of Desertion**

9 **A. The Response or Lack of Response of the Operator to Inquiries and Requests from the**
10 **Supervisor or District Deputy and the Extent of Compliance by the Operator with the**
11 **Requirements of this Chapter**

12 1. Ongoing failure to address cited violations and pattern of recurring or repeated
13 violations by the operator

14 a. Leaks

15 AllenCo Energy, Inc. has generally attempted to undertake repairs to address minor
16 leaks within a reasonable amount of time. However, some of these leaks re-
17 appeared on the same equipment after the initial repair indicating that the initial
18 repair was inadequate. [Attachment O – Declaration of Chris McCullough]

19 b. Failure to Submit Underground Injection Control Data

20 CalGEM requested a current digital three-dimensional geologic model from AllenCo
21 Energy, Inc. on August 19, 2019. [Attachment I – Correspondence dated August 19,
22 2019, hereby incorporated by reference] AllenCo Energy, Inc. was provided an
23 extension to provide data until November 25, 2019. To date, no data pursuant to the
24 request has been received. [Attachment J – Declaration of Tamara Lopez]

25 c. Failure to Perform Mechanical Integrity Tests

26 AllenCo Energy, Inc. failed to perform mechanical integrity testing for three wells
27 required pursuant to Regulations section 1724.10(i)(4): API 03720383 – St. James 1,
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API 03720356 – St. James 2, API 03720475 – St. James 5. [Attachment K – Correspondence dated January 22, 2020, hereby incorporated by reference]

2. The Operator's facility maintenance practices are not in compliance with Public Resources Code, Division 3, Chapter 1 and the regulations promulgated thereunder.

On July 26, 2019, AllenCo Energy, Inc. was sent a request for required data pursuant to underground injection control regulations. The required information is essential to properly evaluate the underground injection project and ensure that it will not cause damage to life, health, property, or natural resources. [Attachment L – Correspondence dated July 26, 2019, hereby incorporated by reference] The required information has not been provided as of the date of this Order to CalGEM. [Attachment J – Declaration of Tamara Lopez]

On January 22, 2020, AllenCo Energy, Inc. lost approval to inject for three wells for failing to perform required mechanical integrity testing required pursuant to Regulations section 1724.10(i)(4). [See Attachment K – January 22, 2020 correspondence] Failure to perform mechanical integrity tests as required is a maintenance practice that is not in compliance with the Public Resources Code and/or the regulations promulgated thereunder.

VII. Rebuttable Presumption of Desertion

A. Failure to Comply with Remedial Order No. 1162

On September 26, 2019, the Supervisor issued an Order to Perform Remedial Work No. 1162 [Attachment F] requiring AllenCo Energy, Inc. to take remedial actions as follows:

- (1). Prepare a plan to safely depressurize and then kill all 21 wells,
- (2). Commence work once CalGEM approves the plan,
- (3). Repair all well and facility leaks,
- (4). Successfully pressure test all wells in accordance with requirements in Regulations section 1772.1 and 1772.1.1,
- (5). Repair any well damage identified during the pressure test, and
- (6). Contact CalGEM prior to commencing well kill and pressure testing operations and schedule a follow up inspection once the work is completed.

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AllenCo Energy, Inc. appealed the Order on September 30, 2019. [Attachment M – email from Tim Parker dated September 30, 2019, hereby incorporated by reference] The Department of Conservation's Director's Office of Appeals heard the appeal on October 22, 2019. On January 21, 2020, the Director's Office of Appeals affirmed the Order. [Attachment A]. On February 4, 2020, CalGEM received correspondence from AllenCo Energy, Inc. indicating that AllenCo Energy, Inc. will no longer ... "spend any capital on equipment upgrades." [Attachment N – Correspondence from AllenCo Energy, Inc. dated February 4, 2020, hereby incorporated by reference]. To date, no workplan to perform remedial actions pursuant to Remedial Order No. 1162 has been received by CalGEM. [Attachment O, Declaration of Chris McCullough] Operator's failure to comply with the Order to Perform Remedial Work on the wells is credible evidence of desertion. (PRC, § 3237, subd. (a)(3)(C))

VIII. Operator's Required Actions

For the reasons stated above, CalGEM has determined that Operator has deserted the Well(s) and Facilities. Therefore, **IT IS HEREBY ORDERED** that Operator plug and abandon the Well(s) and decommission the Facilities and restore the well site according to PRC sections 3208, 3228, 3229, 3230, and 3237, Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760, 1775, and 1776, and the conditions included in any permit CalGEM may issue pursuant to PRC section 3229.

IX. Operator's Appeal Rights

PRC section 3237, subdivision (b), entitles an operator to appeal a Supervisor's order to plug and abandon a deserted well. A notice of appeal must be timely made, in writing, and filed with the Department of Conservation Director (Director). (See PRC beginning at PRC section 3350.) If this Order is mailed to you, the Director must receive the appeal within (15) days from the date the Supervisor mails the Order. To file an appeal, a written notice of appeal may be sent via U.S. mail to:

Department of Conservation
Director's Office of Appeals
801 K Street, MS 24-03 (Appeals Advisor)
Sacramento, California 95814-3530

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Or via electronic mail to:

CalGEMAppeals@conservation.ca.gov

If Operator does not file a timely written notice of appeal, this Order will become a final order and CalGEM may contract for performance of the work, pursuant to PRC section 3226, if, within 30 days of this Order, Operator has not, in good faith, commenced the work ordered. Any costs incurred by the Supervisor to obtain compliance with this Order (which may include penalties and interest) will constitute a lien against Operator's real or personal property per PRC section 3423.

If Operator submits a timely written notice of appeal, it, and interested parties, will receive notice of the appeal hearing date, time, and place. Following the hearing, Operator, and interested parties, will receive a written decision that affirms, sets aside, or modifies the appealed order.

X. Other Potential Actions to Enforce This Order

Failing to comply with Section VIII (Operator's Required Actions) of this Order could subject Operator to further enforcement action. PRC section 3236.5 authorizes the Supervisor to impose a civil penalty on a person who violates any provision in Chapter 1 of Division 3 of the PRC or any regulation that implements those statutes, and the Supervisor may in the future impose a civil penalty based on the acts and omissions underlying this Order.

Further, PRC section 3236 makes it a misdemeanor for any person who violates, fails, neglects, or refuses to comply with any of the provisions of the oil and gas law (statutes and regulations). The misdemeanor is punishable by a fine of not less than one hundred dollars (\$100) nor more than one thousand dollars (\$1,000), or by imprisonment not exceeding six months, or by both the fine and imprisonment for each separate offense. PRC section 3359 makes it a misdemeanor to fail or neglect to comply with an order of the Supervisor. Each day's further failure, refusal, or neglect is a separate and distinct offense. (PRC, § 3359.)

DATED: March 5, 2020



Uduak-Joe Ntuk
State Oil and Gas Supervisor